

## Performance Overview and Outlook

### ■ Office Products

The world multifunction device market continues to expand, driven by growth in color devices. In Japan, amid a maturing market, new needs are emerging for multifunction devices to enhance document security and integrate document management following enforcement of the e-Document Law and other developments.

To cater to these needs, Fuji Xerox Co., Ltd. bolstered its lineup of color multifunction devices extending from low-speed to medium- and high-speed models in Japan, centered on the ApeosPort-II series, which features enhanced network "gateway" functions. Through these and other actions, Fuji Xerox estimates that it maintained a top share in terms of units sold in the domestic color multifunction device market. Furthermore, exports to Europe and North America of medium- and high-speed color digital multifunction devices and high-speed monochrome devices remained strong, lifting sales volume far in excess of the previous fiscal year. Sales volume of color products in the Asia-Pacific region including China was also up sharply.

### ■ Office Printers

In Japan, shipments declined as OEM customers cut inventories, but sales volume of own-brand printers rose, spurred by the launch of DocuPrint C3050, a color laser printer. Export sales volume to OEM customers in Europe and North America grew steadily on the back of a strong market response to medium-speed monochrome devices in terms of their performance and price. Furthermore, sales volume of both color and monochrome devices rose sharply in the Asia-Pacific region including China.



DocuPrint C3050

ApeosPort-II C7500

### ■ Production Services

During the fiscal year under review, sales volume of color on-demand publishing systems for the growing digital printing market rose substantially in Japan as well as in the Asia-Pacific region including China. The production services business also augmented its product lineup for this market with the launch of DocuColor 5000 Digital Press, a color entry-level model, and DocuCentre f1100 GA, a medium-scale monochrome system boasting high speed and high definition.

### ■ Office Services

The document outsourcing business recorded another year of growth, despite lower sales of administration systems for household registry documents compared with the previous fiscal year when special demand was seen. Furthermore, as companies in Japan move into full swing with initiatives to reinforce internal control, Fuji Xerox Co., Ltd. strengthened solutions-providing capabilities through implementation of measures such as launching new Apeos PEMaster software that supports internal control projects and expanding its services.

### ■ Outlook

Past management reforms have strengthened the Document Solutions segment in terms of cost competitiveness, development capabilities and sales force. Looking ahead, the aim is to take a comprehensive approach to build on these improvements and achieve even higher profitability. Above all, to achieve stable growth and generate earnings in core domestic operations, the segment will bolster solution businesses in the office and commercial printing fields, while actively implementing measures under the "Slim & Strong Drive" to improve the cost structure.



DocuColor 5000 Digital Press

## R&D

Fujifilm is actively engaged in research and development aimed at promoting growth in priority business fields and creating new businesses.

### Fujifilm's Fundamental Technologies and Development

Fujifilm has a wide range of fundamental technologies such as thin-film formation and processing, organic materials, inorganic materials, optics, image and software technologies, which were cultivated in fields such as photosensitive materials and xerography, as well as core technologies that support these. By developing these technologies more deeply, we have accumulated diverse technologies that include fine chemicals, electronics, mechatronics, optics, and software.

Today, we are promoting research and development in priority business fields — highly functional materials and devices, optical devices and systems, and information systems and solutions — using product design technologies that combine these fundamental and core technologies. We are also pursuing the creation of new businesses that will play a leading role in the future.

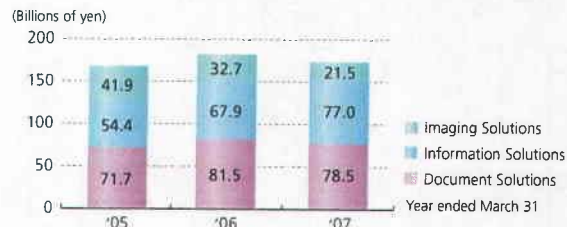
### Fujifilm's R&D Organization

In April 2006, we established the FUJIFILM Advanced Research Laboratories to play a central role in combining leading-edge research on a Company-wide basis and fundamental technology development.

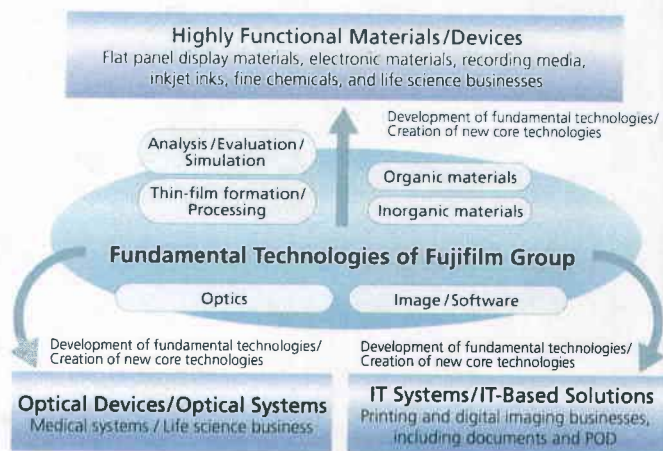
In terms of our R&D organizational structure, we have three corporate laboratories: the Frontier Core-Technology Laboratories, the Synthetic Organic Chemistry Laboratories, and the Advanced Marking Research Laboratories. These laboratories are engaged in long-term research into cutting-edge technologies that will produce further growth for Fujifilm. In addition, we have divisional laboratories — which develop products and technologies that are directly linked to respective business divisions based on short- and medium-term objectives — and Fundamental Technology Research Centers, which have accumulated technology platforms common to the whole Company.

The unique, cutting-edge technologies that the

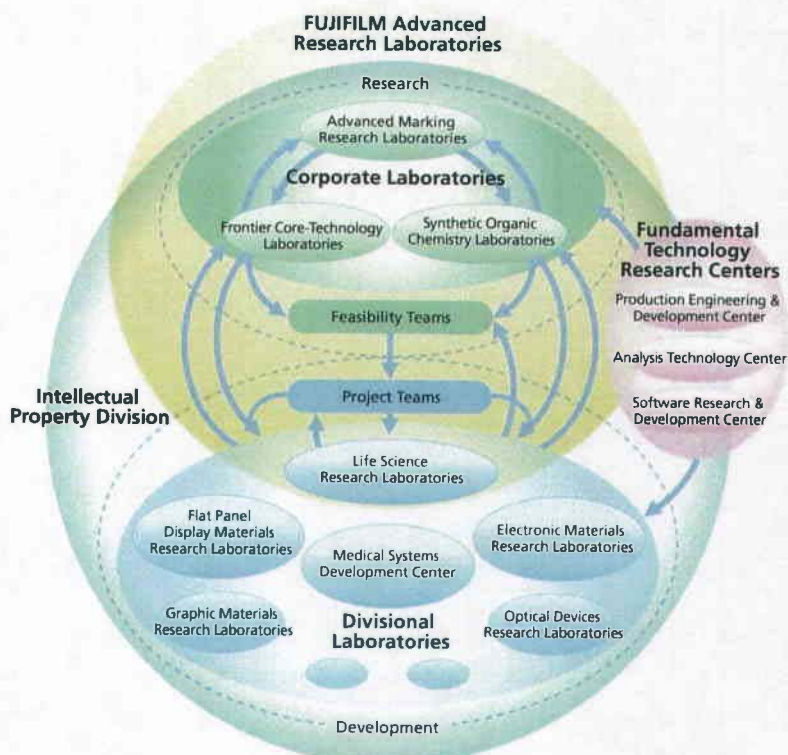
### R&D Expenses by Operating Segment



### Fujifilm Group's Fundamental and Core Technologies and Development



### Fujifilm Group's R&D Organization





three corporate laboratories possess are being fused with each other at the FUJIFILM Advanced Research Laboratories. The goal is to promote the establishment of highly distinctive technologies, especially in the areas of highly functional materials, devices, and systems.

In a recent development, Fuji Xerox Co., Ltd. announced plans to open a new integrated R&D facility in the Minato Mirai 21 district in Yokohama, Kanagawa Prefecture. This new facility will consolidate existing R&D sites currently dispersed across several locations, with the aim of reinforcing collaboration in R&D functions that transcends the boundaries of technology fields and strengthening customer contact.



Illustration of Fuji Xerox's new integrated R&D base

## Main R&D Achievements in the Fiscal Year Ended March 2007

### Life Sciences

#### Fastest in the world, fully automatic gene analysis system Fujifilm's "Rapid SNPs Diagnostics System"

Methods of analyzing single nucleotide polymorphisms (SNPs) currently in use consist of extracting DNA from blood or other samples, adding reaction reagents, and analyzing in instruments. These operations require specialist knowledge and a time frame of several hours to several days. Fujifilm's "Rapid SNPs Diagnostics System" uses the most advanced isothermal amplification of target genes, called SMart Amplification Process (SMAP)\*1. This is the first system that can obtain analyzing results from blood samples using fully automatic processes at a world-record speed\*2 (30 minutes for all processes).

It is constructed from several unique technologies: micro-mechanical technology for building up micro-channels on plastic substrate, microfluidics technology for controlling chemical reactions of fluids in fluid channels, and high-sensitivity detection and analytical technology accumulated in the development of image sensors and other products.

\*1: The SMart Amplification Process (SMAP) was jointly developed by the RIKEN Institute and K.K. DNAFORM. It is a unique isothermal amplification method that amplifies target genes and detects differences in SNPs. As amplification takes place at constant temperatures in a short period of time, this outstanding system is able to accurately detect differences in SNPs.

\*2: As of January 31, 2007, Fujifilm survey



Rapid SNPs Diagnostics System (above) and disposable-type microchip incorporating all processes of DNA extraction, amplification, and detection (below)

### Documents

#### Fuji Xerox's "Security Paper Technology" that uses a sensor to detects paper being taken out

Fuji Xerox Co., Ltd. has developed technology that physically detects even a single sheet of paper being taken out of the office, which would ensure the security of paper documents. This is achieved by embedding extremely thin amorphous magnetic wires, which are finer than a human hair, in plain paper that can be used in multifunction devices. The wires are coated with glass, preventing static electricity when used in a copy machine. The amorphous magnetic wires emit an electric pulse due to application of an oscillating magnetic field from an excitation coil installed in a separate location. By installing equipment that detects this pulse at doorways of buildings and offices, it is possible to keep a record of confidential documents taken outside business premises and also prevent them from being taken out without authorization by closing security gates. Another possible application of this technology is to embed the wire in labels affixed to merchandise to control it being taken out of stores. This technology, could be installed at a lower cost than IC tags.



Wire-embedded "security paper" and enlarged amorphous magnetic wire

## Corporate Governance

Recognizing that a corporation's main mission is to increase corporate value, the Company has given top priority to measures aimed at increasing its own corporate value by strengthening and broadening its corporate governance systems. The Company has positioned the board of directors as the body for determining basic Group management policies and strategies, and important matters related to business execution as well as for supervising the execution of business affairs. Meanwhile, the Company established the post of executive officer in 1998 in a bid to achieve greater efficiency and speed in the execution of business affairs as well as to clarify accountability and authority. Under this basic framework and following the change to a holding company structure on October 1, 2006, the Company will further strengthen governance on a consolidated basis, including with respect to Fuji Xerox Co., Ltd., to increase the corporate value of the Fujifilm Group. The Company will also work to further improve the transparency and soundness of Group management.

### ● Corporate Organizations and Others

#### Directors and Board of Directors

The Company's Articles of Incorporation stipulate that the Company can appoint up to 12 directors. Currently, it has eight directors, including one outside director. Regular meetings of the board of directors are held, in principle, once a month, with extraordinary meetings held as the need arises. Certain matters are decided as required by directors with special authority. To make clearer their mission and responsibilities, directors have been assigned one-year terms in office.

#### Executive Officer System

The Company adopted an executive officer system in June 1998. Under this system, the board of directors is positioned as "the body for determining basic management policies and strategies, and important matters related to business execution as well as for supervising the execution of business affairs," while executive officers are responsible for the execution of business affairs in accordance with the basic policies and strategies adopted by the board of directors. The Company currently has nine executive officers, including five executive officers who also serve as directors, and terms of office are one year, as with directors.

#### Management Council

The management council decides whether matters that are to be exclusively decided by the board of directors should be submitted to the board of directors or not. It also considers the methods used by executive officers to implement particularly important items, in accordance with basic policy, plans and strategies determined by the board of directors. The management council is composed of full-time members who are executive officers ranked senior vice president and above. Meetings of the management council are flexibly convened, with the attendance of relevant executive officers requested depending on the matters concerned.

#### Corporate Auditors and Board of Corporate Auditors

The Company has adopted a corporate auditor system with a

board of corporate auditors, which currently consists of four members, two of whom are outside corporate auditors. As an independent body with key roles and responsibilities in the Company's corporate governance system, the auditors audit the entire range of the directors' performance of their duties following audit policies and an audit plan in conformity with corporate auditors' audit standards determined by the board of corporate auditors. At meetings of the board of corporate auditors, which are held in principle once a month, information is shared on the details of matters subject to auditing. In addition, all corporate auditors attend meetings of the board of directors, while the standing statutory auditors also attend every management council meeting, regularly exchange opinions with the representative directors, and audit the entire range of business execution. The Company has currently assigned two staff members, who also perform internal audits, to the corporate auditors, to strengthen the audit functions of the corporate auditors.

#### Internal Auditing

The Company has an Auditor's Office, which currently comprises nine personnel, as an internal auditing unit that is independent from divisions responsible for the execution of business affairs. This office examines each division's operational processes and other items and evaluates and verifies that they are appropriate. In addition, staff in a specialized unit audit operations in the environmental and export control fields. The Auditor's Office also carries out regular audits of major Group companies in cooperation with corporate auditors, and it verifies the status of the establishment and operation of internal control systems. To enhance internal auditing functions, the Company aims to increase the number of internal auditing staff and reinforce their roles.

#### Independent Auditor

The Company engages Ernst & Young ShinNihon as its independent auditor. Ernst & Young ShinNihon expresses an opinion on the Company's financial statements from an independent standpoint as an auditor.



## Matters Concerning the Outside Director and Outside Corporate Auditors

### ● Major Activities

On October 1, 2006, Teisuke Kitayama assumed office as an outside director of the Company. He attended 4 of the 6 meetings of the board of directors held in the fiscal year under review from assumption of office. Mr. Kitayama requested explanations when necessary and offered advice where appropriate at the board of directors meetings he attended to ensure the adequacy and appropriateness of the decisions made by the board of directors.

Outside corporate auditor Kiichiro Furusawa attended 11 of the 13 board of directors meetings and 12 of the 13 board of corporate auditors meetings held during the fiscal year under review from April 1, 2006. Outside corporate auditor Daisuke Ogawa was appointed on June 29, 2006. He attended 5 of the 9 board of directors meetings and 6 of the 10 board of corporate auditors meetings held in the fiscal year under review from the date of his appointment. Both outside corporate auditors requested explanations when necessary and commented where appropriate at the board of directors meetings they attended to ensure the adequacy and appropriateness of the decisions made by the board of directors. They also asked questions and expressed their opinions as appropriate at the board of corporate auditors meetings they attended.

### ● Support System for the Outside Director and Outside Corporate Auditors

The Legal Department, the secretariat for the board of directors,

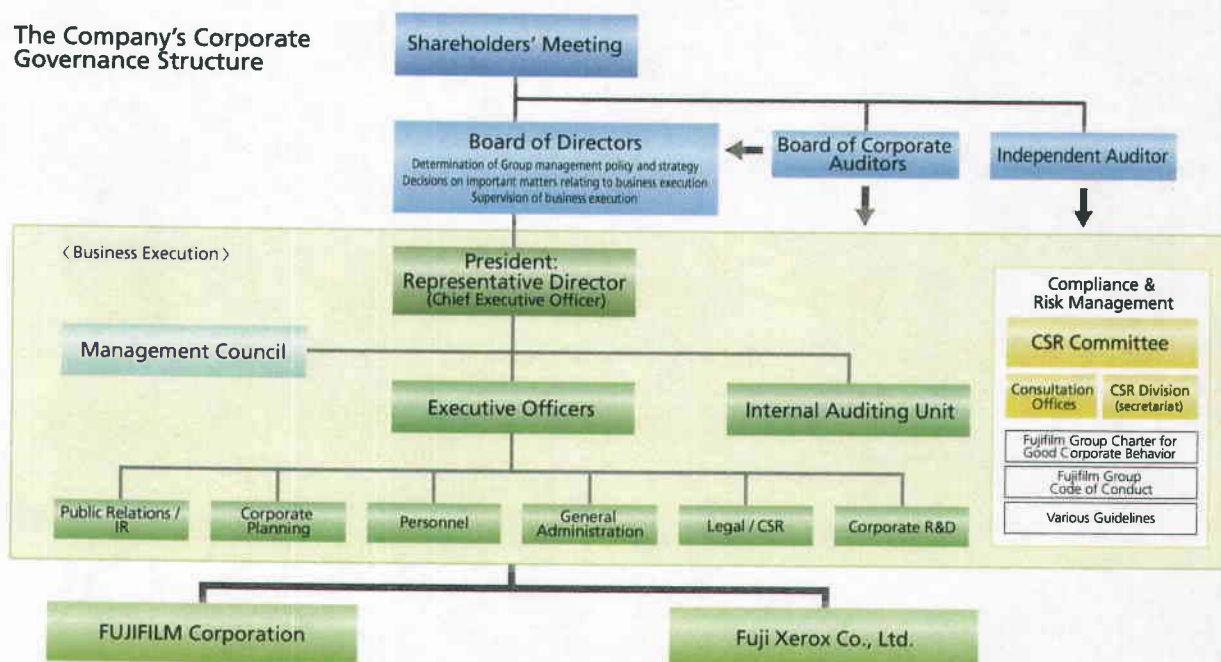
prepares materials and provides information to the outside director and outside corporate auditors for proposals submitted to regularly held meetings of the board of directors. It also provides supplementary explanations where requested.

The secretariat for the board of corporate auditors (the Internal Auditing Unit) provides support such as materials and information concerning details of audits that are used for sharing information between standing statutory auditors and outside corporate auditors at regularly held meetings of the board of corporate auditors.

### Cooperation Between Internal Auditing, Corporate Auditors and Independent Auditor

The Company engages Ernst & Young ShinNihon to perform accounting audits. Because the Company recognizes that mutual cooperation between internal auditing, corporate auditors and the independent auditor in their respective audits leads to improved corporate governance, the Company works to foster such cooperation between the three groups. When audits are planned, performed and reviewed every year, the three groups hold discussions and exchange information and opinions. In addition, discussions are held as needed when interim and year-end audits are carried out. Audits of Group companies are carried out at the same time by corporate auditors, the Internal Auditing Unit and the independent auditor and information is exchanged. Effective and efficient audits are also promoted by maintaining cooperation such as in attending stocktaking.

## The Company's Corporate Governance Structure



## ● Basic Stance and Status of Establishment Regarding Internal Control Systems

The Company is endeavoring to ensure compliance and to establish risk management systems in order to fulfill its corporate social responsibility, which is the basis of its corporate philosophy.

### Compliance

The Company has formulated the Fujifilm Group Charter for Good Corporate Behavior as the fundamental principles regarding compliance in the conduct of the Fujifilm Group's business activities. Based on this charter, the Company has drafted a code of conduct for the Fujifilm Group and is endeavoring to ensure that their activities and behavior comply with laws and regulations as well as social ethics. And with the aim of ensuring the observance of laws and regulations, as well as to maintain and enhance ethical behavior in all corporate activities of the Fujifilm Group, the Company has established a CSR Committee chaired by the Company's president. The Company has also established a division that is responsible exclusively for promoting compliance. Primarily through this division, the Company is endeavoring to instill and promote a compliance mindset in the Fujifilm Group as a whole. The Company has also established offices both inside and outside the Fujifilm Group to provide advice and receive communications and reports of infringements related to the code of conduct and compliance as part of efforts to detect any illegal or improper behavior quickly and take appropriate action in response.

Moreover, the Company has formulated rules on reaching decisions through the use of circular letters, document management regulations, rules regarding timely disclosure, regulations regarding the management of personal information, and other necessary internal rules. Besides requiring business execution in accordance with these rules, the Company has formulated various manuals and guidelines to ensure thorough observance of laws and regulations relating to business activities and is endeavoring to ensure thorough awareness of compliance through regular educational activities.

### Risk Management Systems

Regarding risk management, every company in the Fujifilm Group establishes an adequate risk management system. At the same time, the CSR Committee, headed by the president, formulates basic policies and examines and develops appropriate responses to important risks from the perspective of the whole Fujifilm Group. Moreover, the Company formulates rules and guidelines and prepares manuals

regarding various risks related to information management, safety and hygiene, the environment, and disaster prevention. As regards information relating to important risks, reports are made to the secretariat of the CSR Committee in accordance with prescribed procedures. Internal audits are the responsibility of the Auditor's Office, an internal auditing unit that is independent from divisions responsible for the execution of business affairs. Ongoing efforts will be made to strengthen internal auditing.

As a holding company, the Company oversees the execution of business activities by subsidiaries from the standpoint of a shareholder as well as efficiently and properly conducts operations common to the Fujifilm Group in a unified manner. At the same time, the Company provides direction, assistance, and supervision relating to the establishment of systems and implementation of business activities by each subsidiary and has established a system of reporting by each subsidiary. In such ways, the Company aims to ensure that appropriate business operations are conducted in the Group as a whole.

## ● Adoption of Fair Rules for the Acquisition of Substantial Shareholdings ("Shareholders' Will Confirmation Type" Takeover Defense Measure)

### (1) Reason for Adopting Plan

The Company believes that the ultimate decision on whether or not to accept a takeover proposal for the Company should be made by the shareholders of the Company at the time the takeover proposal is made. In this case, we believe that it is necessary to adopt fair rules so that shareholders of the Company can make a duly informed judgment. Based on this thinking, the Company's board of directors on March 30, 2007 decided to adopt "Fair Rules for the Acquisition of Substantial Shareholdings ("Shareholders' Will Confirmation Type" Takeover Defense Measure, hereinafter "the Plan"), "which sets forth clear and specific procedures that a bidder can follow to commence a takeover proposal.

The Plan is designed to enable the shareholders at the time of the takeover proposal is made to make a duly informed judgment as to whether to accept the bidder's takeover proposal based on sufficient information and with reasonable time period for the Board to consider the takeover proposal and pursue alternatives, and also to arrive at such informed judgment based upon a fair and highly transparent procedure.

### (2) Overview of the Plan

When a bidder who tries to acquire 15% or more of the



Company's voting shares complies with the conditions specified in the Plan (submits the necessary information and waits the review period), the Company will carry out procedures to ascertain shareholders' will to request they make the ultimate decision at that time whether to issue stock acquisition rights (the "Rights") by way of a gratis allotment as a defensive measure.

If the Company's board of directors determines the takeover proposal is in the Company's and its shareholders' best interests, there will be no need to ascertain shareholders' will. An issuance

of Rights by way of gratis allotment as a countermeasure will only be made if the result of ascertaining shareholders' will is that shareholders approve such an issuance or the bidder has not followed the procedures required by the Plan.

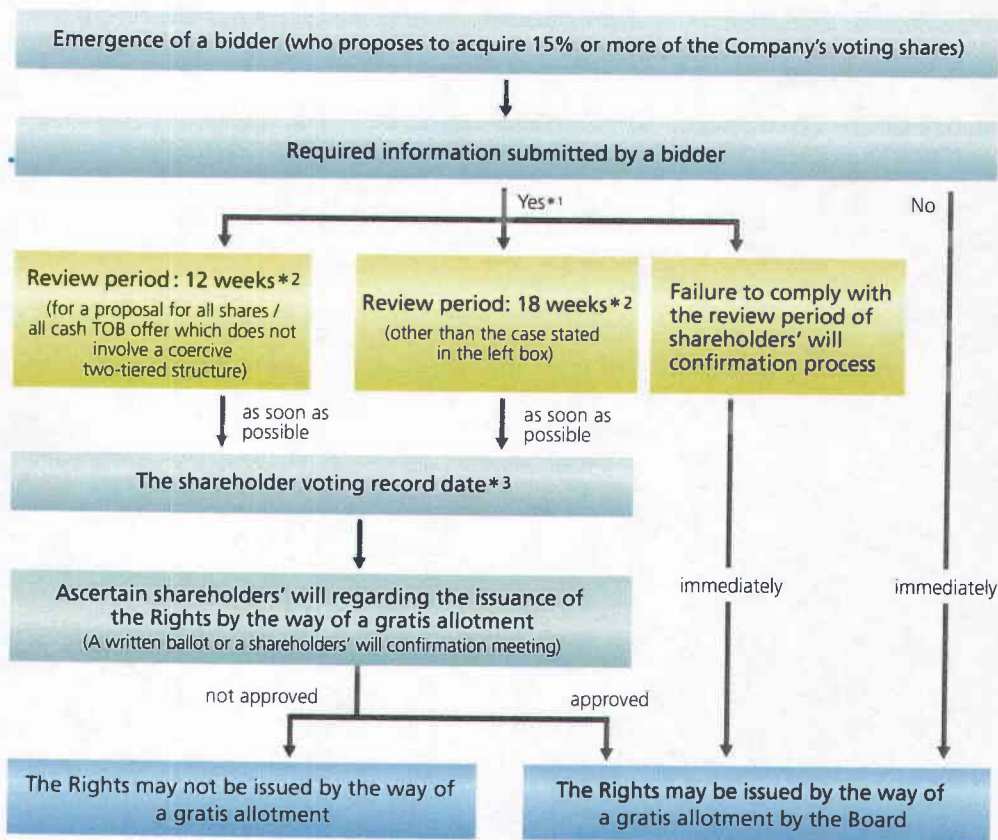
### (3) Effective Period for the Plan

The Plan is effective for three years from March 30, 2007 and may be renewed by a resolution of the board of directors, taking into consideration the views of the outside directors and the outside corporate auditors of the Company.

#### (Reference)

#### Applicable Procedures from Emergence of a Bidder to Decision to Issue the Rights by the Way of a Gratis Allotment

(This chart is intended only to assist with understanding the Plan. Please refer to <http://www.fujifilmholdings.com/> for more details.)



\*1: If the Board, based on the required information submitted by the bidder, determines that the bidder's proposal is in the best interests of Fujifilm and its shareholders, the shareholder vote will not be held, and no Rights will be issued by the way of a gratis allotment.

\*2: The review period will be extended for eight weeks if the Board receives an opinion from an investment bank which states that the offer price is inadequate from a financial perspective. In addition, if the bidder has neither submitted the securities registration statement(s), the securities reports, the semi-annual securities reports and extraordinary reports (including any amendment of each of such statement(s) and reports), each prepared in Japanese, required to submit under the Securities and Exchange Law of Japan (including any law succeeding it) covering the past five years, nor published any documents corresponding thereto in Japanese (excluding any summary in Japanese of such documents which were available only in a foreign language; provided, however, that there is an exception for the foreign securities reports and the foreign semi-annual securities reports under the Securities and Exchange Law) covering the past five years, the review period will be extended for another four weeks.

\*3: The shareholder voting record date will be publicly announced at least two weeks prior to the record date.

## Corporate Social Responsibility (CSR)

The Fujifilm Group is promoting various measures on a Group-wide basis, including environmental initiatives and social contribution activities, with the aim of achieving further "sustainable development." These efforts are based on the "Fujifilm Group Approach to CSR."

### Fujifilm Group Approach to CSR

The Fujifilm Group Approach to CSR is to contribute to the sustainable development of society by putting into practice the Fujifilm Group's corporate philosophy, and realizing its vision through sincere and fair business activities.

**We will:**

1. fulfill our economic and legal responsibilities, and respond to society's demands by contributing as a corporate citizen to the development of culture and technology in society and environmental preservation.
2. constantly reassess whether our CSR activities are responding adequately to the demands and expectations of society and whether those activities are conducted properly through dialogue with our stakeholders, including customers, shareholders, investors, employees, local communities, and business partners.
3. enhance corporate transparency by actively disclosing information to fulfill our accountability for our business activities.

### Environmental Initiatives

Based on the "Fujifilm Group Green Policy," the Fujifilm Group aims to balance the dual goals of caring for the environment and expanding growing businesses by reducing greenhouse gas emissions, managing chemical substances in compliance with European laws and regulations, and implementing other environmental initiatives.

#### Actions to Cut Greenhouse Gas Emissions

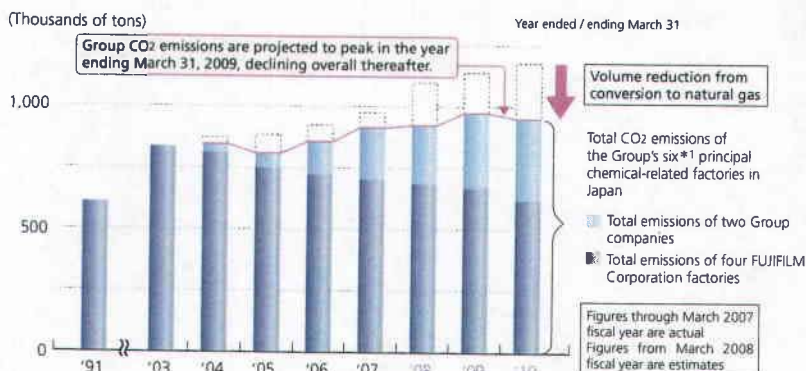
The Fujifilm Group is cutting CO<sub>2</sub> emissions, one of the so-called greenhouse gases, by aggressively promoting the use of natural gas and energy-conservation programs at its plants worldwide.

Combined CO<sub>2</sub> emissions of the Group's six\*1 principal chemical-related factories in Japan account for 60% of the Group's CO<sub>2</sub> emissions. Furthermore, total CO<sub>2</sub> emissions have increased in line with higher production volume such as in the growing flat panel display (FPD) materials business. In response, the Fujifilm Group is stressing measures to cut CO<sub>2</sub> emissions, including converting to natural gas as the fuel source for power generation units.

The conversion to natural gas began in 2003 and in April 2007 a natural gas co-generation system\*2, the fifth at a Fujifilm Group plant, was installed at FUJIFILM Corporation's Yoshida-Minami Factory. In another development, in October 2006, operations commenced at FUJIFILM Kyushu Co., Ltd.'s No.1 Plant, which uses only natural gas as a fuel source for power generation units. The introduction of natural gas yielded an approximate 72,000 ton reduction in CO<sub>2</sub> in the year ended March 31, 2007.

The Fujifilm Group expects emissions to rise in the future as two Group companies manufacturing FPD materials increase production volume. That said, the Group plans to cut total CO<sub>2</sub> emissions after a projected peak in the year ending March 31, 2009, by promoting even greater use of natural gas. In the fiscal year ending March 31, 2010, the Group aims to reduce CO<sub>2</sub> emissions by 210,000 tons through the use of natural gas at the above-mentioned six factories.

#### CO<sub>2</sub> Emissions at the Fujifilm Group's six Principal Chemical-related Factories in Japan



\*1: Six principal chemical-related factories in Japan: FUJIFILM Corporation's four plants (Kanagawa Factory Ashigara Site, Kanagawa Factory Odawara Site, Fujinomiya Factory and Yoshida-Minami Factory) and plants of two Group companies (FUJIFILM Opto Materials Co., Ltd. and FUJIFILM Kyushu Co., Ltd.)

\*2: Natural gas co-generation uses natural gas as the fuel source for generating power using high-efficiency gas engines and gas turbines. Exhaust heat generated during this process is collected and used effectively for heating air and water, etc.



## Returnable Containers to Transport Repair Parts Reduce Environmental Impact

Fuji Xerox Co., Ltd. inaugurated use of extremely durable and returnable containers that can be used more than 100 times to transport repair parts to 500 service locations nationwide. The company developed the containers jointly with Starway Co., Ltd.

By using these returnable containers, Fuji Xerox expects to reduce the total amount of new packaging materials by 1,294 tons by 2010. Also, CO<sub>2</sub> and nitrogen oxide emitted when manufacturing and recycling the materials can be reduced by 658 tons and 0.82 tons, respectively, by 2010.



## Social Contribution Activities

### Aiming to Co-exist With Regional Communities FUJIFILM Kyushu's Environmental and Cultural Activities

In December 2006, FUJIFILM Kyushu Co., Ltd. signed a partnership agreement with Minamiaso Ehon no Kuni, an association active in promoting regional cultural advancement and exchange based on the keyword "ehon" (picture book in Japanese). Its activities are conducted through tie-ups with government agencies and corporations, especially those with an interest in the region. FUJIFILM Kyushu Co., Ltd. supports the activities of this association, such as the creation of picture books using photos in Minamiaso, in Kumamoto Prefecture instead of illustrations.



Furthermore, in February 2007 FUJIFILM Kyushu Co., Ltd. inked a tree-planting agreement for water-shed protection with Minamiaso village. Following a decision to promote tree-planting activities in the forested area

FUJIFILM Kyushu aims to plant 13,000 trees in the future.

of the Shirakawa riverhead, an important groundwater recharge area, company employees planted 300 Japanese wild cherry blossom trees in March. This was the first tree-planting contract after the formation of the new village of Minamiaso. Through this tree-planting, FUJIFILM Kyushu is helping to preserve the local environment.

### Supporting Education in the Western Region of China

FUJIFILM (China) Investment Co., Ltd. is taking part in a national development project in China in the field of education. By October 2006, the company had supplied top students from economically challenged homes at 20 junior high schools with books, cameras and other educational materials. Furthermore, to help nurture individual skills, the company is emphasizing interaction with teachers and students.



Students proudly show off the books they received.

## Outside Evaluations of the Fujifilm Group's CSR Activities

The Fujifilm Group's proactive implementation of CSR programs designed to promote sustainable development has been highly evaluated by outside parties.



- Inclusion in the FTSE4Good Global Index
- Inclusion in Dow Jones Sustainability Indexes 2007
- FUJIFILM Holdings was selected as one of the best 50 companies in terms of the quality of non-financial reporting by Global Reporters in a 2006 survey.
- Fuji Xerox's A3-capable color laser printer won the "Energy Conservation Prize." The company's products have received the prize for eight consecutive years.

## Board of Directors, Corporate Auditors, and Executive Officers

FUJIFILM Holdings Corporation

( As of July 27, 2007 )

### Board of Directors

**Shigetaka Komori***President and  
Chief Executive Officer,  
Representative Director***Toshio Takahashi***Chief Financial Officer,  
Representative Director***Tadashi Sasaki**  
*Director***Shinpei Ikenoue**  
*Director***Noboru Sasaki**  
*Director***Tadahito Yamamoto**  
*Director***Nobuoki Okamura**  
*Director***Teisuke Kitayama**  
*Outside Director*

### Corporate Auditors

**Keiichi Inuzuka****Masahiro Miki****Kiichiro Furusawa**  
*Outside Corporate Auditor***Daisuke Ogawa**  
*Outside Corporate Auditor*

### Executive Officers

*President and Chief Executive Officer*  
**Shigetaka Komori***Senior Vice President*  
**Shinpei Ikenoue***Corporate Vice Presidents*  
**Noboru Sasaki**  
**Nobuoki Okamura**  
**Yasutomo Maeda****Yoshikazu Aoki**  
**Kouichi Tamai**  
**Toshimitsu Kawamura***Executive Vice President*  
**Toshio Takahashi**



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# Financial Section

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FUJIFILM Holdings Corporation and Subsidiaries

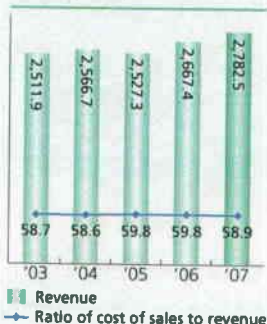
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## Financial Review

### Results of Operations

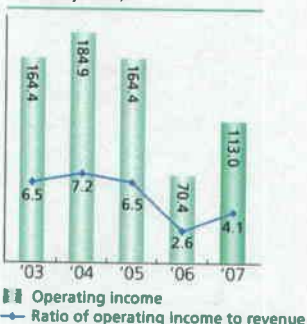
#### Revenue and Ratio of Cost of Sales to Revenue

(Billions of yen / %)



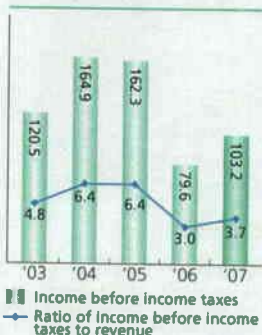
#### Operating Income and Ratio of Operating Income to Revenue

(Billions of yen / %)



#### Income Before Income Taxes and Ratio of Income Before Income Taxes to Revenue

(Billions of yen / %)



Year ended March 31

### Revenue

During the fiscal year ended March 31, 2007, a decrease in revenue in the Imaging Solutions segment was outweighed by such positive factors as higher sales volume in the Information Solutions and Document Solutions segments as well as the beneficial effects of exchange rate movements. As a result, consolidated revenue increased 4.3%, or ¥115.1 billion, to ¥2,782.5 billion, from ¥2,667.4 billion in the previous fiscal year. Domestic revenue declined 1.9%, to ¥1,303.6 billion, and overseas revenue grew 10.5%, to ¥1,478.9 billion. The effective currency exchange rates were ¥117=US\$1, a ¥4 depreciation of the yen compared with the previous fiscal year, and ¥149=1 euro, an ¥11 depreciation of the yen.

### Operating Income

SG&A expenses increased 3.4%, or ¥25.0 billion, to ¥760.0 billion, reflecting an increase at newly consolidated subsidiaries and higher sales in the Asia-Pacific region including China in the Document Solutions segment. The SG&A expense ratio was 27.3%. R&D expenses decreased 2.8%, or ¥5.1 billion, to ¥177.0 billion, causing the R&D expense ratio to decline 0.4 of a percentage point, to 6.4%.

Operating income rose 60.5%, or ¥42.6 billion, to ¥113.0 billion, from ¥70.4 billion in the previous fiscal year. Operating income was adversely affected by higher costs stemming from a steep rise in major raw materials prices; the posting of expenses associated with structural reforms that the Group carried out intensively from the fiscal year ended March 31, 2006 to the fiscal year under review; and the "Slim & Strong Drive" that was initiated in the second half of the fiscal year under review. However, the negative impact of these factors was absorbed mainly by an improvement in gross profit resulting from higher sales volume and a reduction in fixed costs, the more efficient use of expenditure, and the effects of the weaker yen.

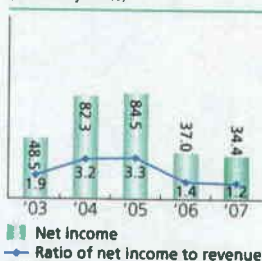
### Income Before Income Taxes

The Company posted a nonoperating expense of ¥9.8 billion, compared to nonoperating income of ¥9.2 billion in the previous fiscal year. The posting of a ¥23.9 billion decline in value of investment securities had a substantial impact. In addition, reflecting changes in the foreign exchange settlement account and in the valuation of foreign currency assets at the fiscal year-end, foreign exchange gains, net decreased ¥0.8 billion, to a gain of ¥6.7 billion. Interest and dividend income rose ¥3.3 billion, to ¥11.4 billion. Income before income taxes grew 29.7%, or ¥23.6 billion, to ¥103.2 billion.

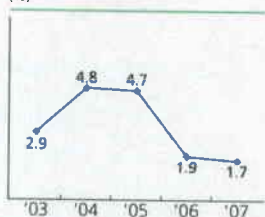


**Net Income and Ratio of Net Income to Revenue**

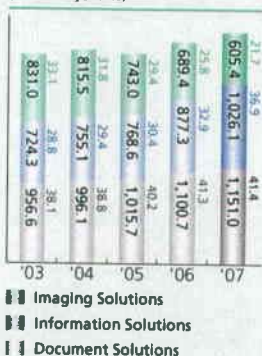
(Billions of yen / %)

**Return on Equity**

(%)

**Segment Information****Segment Revenue and Component Ratio**

(Billions of yen / %)



Year ended March 31

**Net Income**

Income taxes rose 70.0%, or ¥24.5 billion, to ¥59.5 billion. The effective tax rate rose from 44.0% in the previous fiscal year to 57.7% in the fiscal year under review. The statutory tax rate for the fiscal year was 40.6%, but the effective rate was increased by such factors as expenses not deductible for tax purposes. Minority interests, mainly attributed to Fuji Xerox Co., Ltd. and its subsidiaries, decreased ¥0.1 billion, to ¥12.7 billion. Equity in net earnings of affiliated companies declined ¥1.8 billion, to ¥3.4 billion. Net income decreased 6.9%, or ¥2.6 billion, to ¥34.4 billion, and net income per share declined to ¥67.46, from ¥72.65. In addition, diluted net income per share was ¥65.04, compared to ¥72.65 in the previous fiscal year.

**Imaging Solutions**

Consolidated revenue in this segment fell 12.2%, or ¥84.0 billion, to ¥605.4 billion. Sales of color paper grew on the back of such factors as a rise in market share. However, color film, development services at photo-processing laboratories, and digital minilab sales fell, resulting in the overall decline in sales. The segment operating loss contracted 43.7%, or ¥33.1 billion, to ¥42.6 billion. Although the Company continued to implement structural reforms, as in the previous fiscal year, the increase in share of the color paper market had a substantial positive impact.

**Information Solutions**

Consolidated revenue in this segment rose 17.0%, or ¥148.8 billion, to ¥1,026.1 billion. Revenue increased mainly due to robust sales of SYNAPSE medical-use picture archiving and communications systems, endoscopes, CTP plates, and flat panel display materials, while sales at consolidated subsidiaries acquired in the fourth quarter of the fiscal year ended March 31, 2006 and the third quarter of fiscal year under review also made a contribution. Segment operating income increased 20.4%, or ¥16.1 billion, to ¥95.2 billion. Despite such negative factors as a steep rise in the price of the main raw materials such as silver and aluminum and the posting of ¥17.3 billion in structural reform expenses, positive contributions came from higher sales of such major products as medical systems products, CTP plates, and flat panel display materials as well as the streamlining of manufacturing facilities.

**Document Solutions**

Consolidated revenue in this segment grew 4.6%, or ¥50.3 billion, to ¥1,151.0 billion. This growth mainly reflected strong exports of digital color multifunction devices for office use to North America and Europe as well as robust sales in the Asia-Pacific region including China. Segment operating income fell 8.7%, or ¥5.8 billion, to ¥61.2 billion, chiefly reflecting expenses posted as part of the "Slim & Strong Drive."

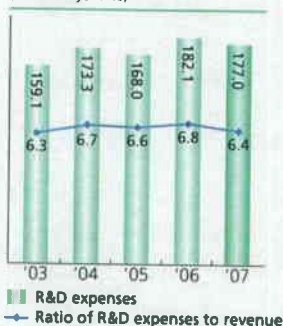
Year ended March 31		2007	2006	2005
		(Millions of yen)		
<b>Imaging Solutions</b>	Revenue:			
	External customers	¥ 605,383	¥ 689,458	¥ 742,993
	Intersegment	899	618	306
	Total	606,282	690,076	743,299
	Operating loss	(42,631)	(75,713)	(7,101)
<b>Information Solutions</b>	Operating margin	(7.0)%	(11.0)%	(1.0)%
	Revenue:			
	External customers	¥1,026,085	¥ 877,366	¥ 768,680
	Intersegment	2,818	2,965	4,414
	Total	1,028,903	880,331	773,094
<b>Document Solutions</b>	Operating income	95,170	79,056	71,089
	Operating margin	9.2%	9.0%	9.2%
	Revenue:			
	External customers	¥1,151,058	¥1,100,671	¥1,015,701
	Intersegment	12,187	12,478	13,560
	Total	1,163,245	1,113,149	1,029,261
	Operating income	61,186	67,026	100,407
	Operating margin	5.3%	6.0%	9.8%

Notes: 1. Operating income (loss) in Imaging Solutions, Information Solutions and Document Solutions for the fiscal year ended March 31, 2007 is affected by structural reform expenses of ¥60,121 million, ¥17,269 million and ¥16,691 million, respectively.

2. Operating income (loss) in Imaging Solutions and Information Solutions for the fiscal year ended March 31, 2006 is affected by structural reform expenses of ¥77,401 million and ¥8,642 million, respectively.

3. The effects of Fuji Xerox's employee pension system reform, including the transfer of the substitutional portion of employee pension fund liabilities in the fiscal year ended March 31, 2005, are included in the Document Solutions segment's operating income for the fiscal year ended March 31, 2005.

**R&D Expenses and Ratio of R&D Expenses to Revenue**  
(Billions of yen / %)



Year ended March 31

## Research & Development Activities

To provide new solutions that match user needs in the imaging, information, and document fields, the Fujifilm Group is working to further develop and utilize the unique technologies and know-how it has cultivated in the photographic film field while also proactively conducting R&D related to new digital and networking technologies.

In April 2006, we established the FUJIFILM Advanced Research Laboratories, with the aim of developing products and technologies that will support the Group's future growth. Through collaboration among researchers from different fields, these facilities will strongly promote the creation of differentiated technologies. In addition, Fuji Xerox Co., Ltd., which is responsible for the Document Solutions segment, decided to establish an R&D base at Minato Mirai 21 in Yokohama. By concentrating its R&D facilities, which were previously dispersed, Fuji Xerox aims to align functions more closely regardless of business field, shorten development lead times and enhance efficiency.

During the fiscal year under review, R&D expenses declined 2.8%, or ¥5.1 billion, to ¥177.0 billion, and the ratio of R&D expenses to revenue fell 0.4 of a percentage point, to 6.4%. By business segment, R&D expenses amounted to ¥21.5 billion in Imaging Solutions, down 34.1%; ¥77.0 billion in Information Solutions, up 13.3%; and ¥78.5 billion in Document Solutions, down 3.8%